

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



PLUMAS – SIERRA COUNTY FAIR ASSOCIATION
PLUMAS - SIERRA COUNTY FAIR
QUINCY, CALIFORNIA

MANAGEMENT REPORT #09-062

FISCAL YEAR ENDED JUNE 30, 2009

PLUMAS – SIERRA COUNTY ASSOCIATION
PLUMAS - SIERRA COUNTY FAIR
QUINCY, CALIFORNIA

MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2009

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones
Sophea Touch

Audit Chief
Assistant Audit Chief
Auditor
Auditor

MANAGEMENT REPORT NUMBER
#09-062

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

County of Plumas
Board of Supervisors
Plumas – Sierra County Fair
204 Fairgrounds Road
Quincy, California 95971

Pursuant to Food and Agriculture Code Section 4505, every county that conducts a fair for which any apportionment is sought, shall file a detailed statement of its operations in the previous fiscal year with the California Department of Food and Agriculture (CDFA) within ninety days of the end of the fiscal year. The Department of Fairs and Expositions has set the reporting standard to be no later than March 1st of the following year for entities that operate on a calendar year basis and on or before September 1st in each year for entities that operate on a fiscal year ending on June 30th. Because the Plumas-Sierra County Fair is considered an entity of the county which operates on a fiscal year, it is required to file a detailed statement of operations in the previous fiscal year on or before the 1st day of September in each year. The content and form of the statement shall be prescribed by the department, more specifically the Division of Fairs and Expositions (F&E).

Our office was engaged to conduct a compliance evaluation of the Plumas – Sierra County Fair, Quincy California, for the fiscal year ended June 30, 2009, to ensure compliance with F&E reporting requirements. We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express any such opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. In planning and performing our evaluation of the Fair, we considered its internal control structure in order to identify areas that could negatively impact the Fair's ability to adhere to State regulations and adequately report its operations to the State, not to provide assurance on the Fair's internal control structure. We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting



process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Plumas - Sierra County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Plumas – Sierra County Fair's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Plumas – Sierra County Fair's assets. The system of internal control should provide the Board of Supervisors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Plumas – Sierra County Fair in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Plumas – Sierra County Fair's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Plumas – Sierra County Fair's accounting procedures, records, and substantiating documents.

During our evaluation of the internal control structure of the Plumas – Sierra County Fair and compliance with state laws and regulations, we identified five areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, admissions revenue, cash accounts, courtesy & credential passes, and interim revenue. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

A detailed examination of the Fair's fixed asset records identified the following internal control weaknesses:

- a. The Fair has incomplete records for its fixed assets. The Fair was unable to provide a current property ledger, and the Fair's records do not agree with county records for the fixed assets the Fair owns. Neither the Fair's property ledger nor the amount that county records show as the Fair's fixed assets agrees with the amounts that the Fair reported on its Statement of Operations (STOP) for the fiscal year 2008/2009.
- b. Although the Fair was able to provide documentation for the projects that were completed during fiscal year 2008/2009, there was no reconciliation as to the total project costs. It was unclear whether the full amounts for the projects were appropriately capitalized during the year and reported on the Fair's STOP.
- c. The Fair did not adequately maintain information for capital projects that were funded by the State of California. California Government Code Section 25902 requires all fairs receiving state funds used to acquire or improve real property, to account for these funds separately, since a portion of these funds would be returned to the State if the fairgrounds were sold. Since both the Division of Fairs & Expositions (F&E) and the California Construction Authority (CCA) are extensions of the State, the funds allocated by them should be tracked and monitored by the Fair. The Fair should keep accurate and detailed records of all real property purchases and/or improvements that are funded by the State. The records should identify cost and descriptions of any purchases or improvements that are made by the Fair. This was a prior year audit finding.
- d. The Fair did not adequately report its fixed assets on its STOP. The values for buildings and improvements, and equipment are all reported as one lump sum under "leasehold improvements."

Recommendations

1. *The Fair should make it a priority to update its accounting records for fixed assets. Specifically, the Fair needs to have a complete and current property ledger, which appropriately agrees to county records. Additionally, as the Fair updates its property ledger for projects that close during the year, it should ensure that all amounts related to a project are accurately recorded and reported to the county, so both sets of records can be updated and will continue to agree.*
2. *The Fair should comply with Government Code Section 25902 and design a system that monitors and tracks all current year and prior year funds that are received from F&E and CCA and spent on improvements to the fairgrounds. The system should allow the Fair to easily identify the amount of State funds that are used for property acquisitions or*

construction projects throughout these years. The Fair should ensure that their records have adequate descriptions and cost information for all items that are purchased or constructed.

3. *The Fair should report its fixed assets appropriately on the STOP. Amounts for improvements made to buildings and the fairgrounds and equipment should be reported as such rather than lumped together in the leasehold improvements account.*

ADMISSIONS REVENUE

The Fair exposed itself to loss by not maintaining adequate accounting records for its admissions revenue. A ticket manifest could not be provided for the 2008 fair and an ending ticket reconciliation between the number of tickets purchased and the number remaining at the end of the fair was not performed. Therefore, the number and types of each ticket issued could not be determined. Although individual daily ticket seller's reports were maintained, without beginning and ending ticket inventories, reported revenue could not be reconciled with remaining tickets to determine whether all amounts earned by the Fair were collected. This was a prior year audit finding.

Additionally, each gate used a different generic colored ticket consistently during the fair. In addition, the same colored generic ticket was used for parking as was used for admissions at the main gate. The Accounting Procedures Manual (APM) Section II, 1.31, prohibits the use of generic tickets because it creates an opportunity for theft, and recommends using different ticket colors for each day of the fair. This was a prior year audit finding.

Recommendations

4. *The Fair should improve its internal controls over admission revenue by ensuring all source documents, such as ticket manifests and remaining ticket inventories, are retained for audit purposes.*
5. *The Fair should comply with the APM by stopping the use of generic tickets. All tickets used by the Fair for admissions and parking should contain a logo or other type of identification listing the Fair's name.*

CASH ACCOUNTS

The Fair did not always reconcile their bank statements in a timely manner during fiscal year 2008/2009. Our office noted 27 of 36 bank reconciliations were not prepared in a timely manner, 6 months of reconciliations were not performed, and 23 reconciliations did not contain two signatures. According to the APM, all bank accounts should be reconciled within 30 days of receiving the related bank statement. Furthermore, those reconciliations should be reviewed, dated, and signed by the Fair CEO or another appropriate authority to ensure a sufficient review has taken place. This was a prior year finding.

Recommendation

6. *The Fair should improve internal controls over cash by ensuring bank reconciliations are performed each month and within 30 days of receiving the related bank account*

statement as required by the APM. Furthermore, the preparer should sign and date the completed bank reconciliations, and the Fair's CEO or another appropriate authority should review the reconciliations for correctness.

COURTESY & CREDENTIAL PASSES

The Fair did not properly classify the issuance of free passes as either courtesy or credential. According to its STOP the Fair only distributed four courtesy passes, yet a discussion with Fair personnel revealed that the Fair classified individual free admission as credential for individuals that had no business purpose on the fairgrounds. Therefore, our office was unable to determine the appropriateness of any credential or courtesy passes issued. California Department of Food and Agriculture (CDFA) Code Section 3028 says, "Each fair shall maintain complete records of the number of credential and courtesy pass admissions which are issued for each fair period."

Recommendation

- 7. The Fair should track credential and courtesy passes and strengthen internal controls over these passes by justifying and supporting the business purpose for issuing these passes. This is to ensure individuals or vendors are issued the appropriate pass.*

INTERIM REVENUE

The Fair properly maintains its control log for interim revenue by issuing contracts in sequential order and identifying cancelled contracts; however, it appears receipts were not always tracked as verification of payment nor documented for audit trail. It is unclear whether the Fair collected all amounts it is due. Maintaining and monitoring receipts improves controls and ensures all payments are received, and promotes accountability over the financial records.

Recommendation

- 8. The Fair should improve controls over interim revenue by reviewing and properly documenting the support for the amounts recorded. This ensures that the Fair is receiving all amounts it is due and maintains the proper level of documentation required for substantiation of its interim revenue.*

COUNTY FAIR ASSOCIATION’S RESPONSE



Plumas-Sierra County Fair

204 FAIRGROUNDS ROAD QUINCY, CA 95971-9462

(530) 283-6272 FAX (530) 283-6431 www.countyofplumas.com/fair/index.htm

November 17, 2009

Dear Ron,

I just received our copy of our audit report #09-062. I want to compliment your auditors, Sophea and Jason, for their helpfulness and professionalism. We all approached this audit with a spirit of learning and correction. This audit covered the end of a turbulent period for the Plumas Sierra County Fair. Although many of the findings were not what we want for our operation, they did give us the opportunity to focus on the corrections that are necessary.

The Plumas Sierra County Fair is finally staffed correctly with people having the knowledge and skill to operate in the manner expected by the state, county and our citizens. Rest assured we are eagerly anticipating our next opportunity to show you our capabilities.

Before addressing the audit, I think it is necessary to point out that this audit took place *after* this year's fair. Although the new staff was aware of what had been reported in last year's audit, we didn't have time to address all those concerns in this year's fair. We were very happy to know that, while this year's audit could not address them, this year's fair did solve most of the concerns mentioned in last year *and* this year's audits.

In response to specific audit findings:

FIXED ASSETS

It became apparent while preparing our STOP that something wasn't right. We discovered the same thing mentioned in the audit, our fixed asset list was not accurate. By taking physical inventory and doing research, we now have an accurate list. Our county does not update their list until spring, but we have submitted all the corrections to them so by the next audit, both the counties and our list will match.

We now have a better understanding of how the state wants us to report capital projects. We are working with F&E to possibly breakdown the "leasehold improvements", but at the very least can start tracking and reporting any projects involving state funds.

ADMISSIONS REVENUE

I'm happy to report this issue was resolved at this year's fair. We used numbered tickets, with unique colors, printed with each category of admission, for the different days of the fair. Number were recorded and accounted for, including an original manifest noting the numbers.

CASH ACCOUNTS

This issue was corrected after my hiring. We now meet all deadlines and operations for handling these accounts, including tracking them in our accounting program.

COURTESY AND CREDENTIAL PASSES

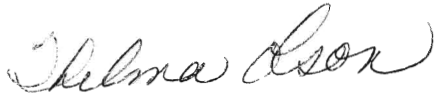
As mentioned under Admissions Revenue, credential and courtesy passes were better defined and tracked at this year's fair. These passes were numbered and imprinted with unique fair information.

INTERIM REVENUE

We were finally able to hire a fiscal officer the week before the fair. She has made enormous strides in solving many of our challenges. One of these is being able to create and track accounts receivable. These receivables are created at the time of contract signing and allow us to follow up on payment. This also extends to security deposits, allowing us to make refunds and/or deduct for damages much quicker.

Again, we enjoyed having your team here. They offered advice and solutions while doing their jobs. Our goal is nothing less than having an issue free audit. Thank you for your department's efforts.

Sincerely,



Thelma Olson
Board President
Plumas Sierra County Fair



John Steffanic
Fair Manager
Plumas-Sierra County Fair

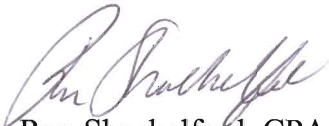
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Plumas – Sierra County Fair Association, Plumas – Sierra County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between September 21, 2009 and September 24, 2009. My staff met with management on September 24, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

September 24, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	County of Plumas – Sierra Board of Supervisors
1	Chief Executive Officer, Plumas – Sierra County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office